

**Minutes of the Meeting of the  
Air Transportation Stabilization Board  
May 20, 2005**

The meeting of the Air Transportation Stabilization Board (“Board”) was held in the offices of the Board of Governors of the Federal Reserve System at 20<sup>th</sup> Street and Constitution Avenue, Washington, D.C., on Friday, May 20, 2005.

The following people were present at the meeting:

**Board**

Edward M. Gramlich, Chairman of the Board, and Governor, Federal Reserve Board  
Timothy Bitsberger, Voting Member of the Board, and Assistant Secretary for Financial Markets, Department of the Treasury  
Jeffrey N. Shane, Voting Member of the Board, and Under Secretary for Policy, Department of Transportation

**Board Staff**

Mark R. Dayton, Executive Director  
Jaydeep Borwankar, Financial Analyst

**Federal Reserve Board**

Dan Sichel, Assistant Director  
Christopher W. Clubb, Senior Counsel

**Department of the Treasury**

Roger E. Kodat, Deputy Assistant Secretary for Government Financial Policy  
Brad S. Lerner, Attorney  
Brian Jackson, Chief Financial Officer, Federal Financing Bank  
Lachlan Seward, Senior Advisor to the Fiscal Assistant Secretary

**Department of Transportation**

Terence W. Carlson, Attorney, Office of General Counsel  
Regis Milan, Associate Director, Office of Aviation Analysis  
Nancy Kessler, Attorney, Office of General Counsel

**Department of Justice**

Brendan Collins, Trial Attorney, Civil Division  
Andrea Handel, Trial Attorney, Civil Division

**Curtis, Mallet-Prevost, Colt & Mosle LLP**

Dan Lenihan, Partner  
Steve Reisman, Partner

**Lazard Freres & Co., LLC**

Harry Pinson, Managing Director

Doug Fordyce, Director  
Eric Mendelsohn, Director  
Ryan Hummer, Associate  
David Kurtz, Managing Director (by phone)

GAO did not attend this meeting.

Governor Gramlich called the meeting to order at 10:17 a.m.

The Executive Director presented an update on Aloha Airlines' ("Aloha") bankruptcy and advised the Board that the deadline for objections to the repayment of the ATSB guaranteed loan had passed without any objections being raised. As a result, the repayment of the ATSB guaranteed loan to Aloha was final.

The Executive Director briefed the Board on ATA Airlines' ("ATA") bankruptcy including an update on the quarterly payments that ATA is required to pay to the ATSB under the existing cash collateral order to amortize the outstanding balance on the loan and to reimburse the ATSB and lenders for expenses related to ATA's bankruptcy.

The Executive Director briefed the Board on the proposed merger between America West Airlines ("AWA") and US Airways and the impact of the merger on the Board's loan guarantees to each carrier. This included a presentation by Lazard to the Board on due diligence of the proposed merger between US Airways and AWA, an update of the business plan for the merged entity, and the business plans for each carrier on a stand-alone basis.

Lazard discussed the underlying problems with past airline mergers and its initial analysis as to how the proposed merger might address such problems. The Chairman requested that staff and advisors prepare a memorandum outlining labor integration issues faced in prior mergers, the labor integration challenge facing AWA and US Airways, and the steps being taken to address these issues.

Mr. Lenihan presented staff and advisors' proposed revisions to the current terms of the guaranteed loans to both AWA and US Airways which are currently being negotiated with the carriers, and the impact of the proposed revisions to the Board's credit position.

The meeting was adjourned at 12:23 p.m.